



# NEWSCLIPS

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Department of the Treasury  
Financial Management Service **fms**

## Final EFT Rule Issued; Low-Cost Account Proposed

**A**fter a year-long effort to forge the Government's electronic funds transfer (EFT) policy, the Department of the Treasury issued last September 25 its final EFT regulation, affecting millions of recipients of Social Security, Veterans, Railroad Retirement, and Federal salary and retirement payments. Vendors that do business with the Government are also touched by the newly issued rule, requiring that most Federal payments—tax refunds are excluded—be made by EFT starting January 2, 1999.

In developing the publicly debated regulation, implementing a 1996 law, Treasury was guided by a fundamental principle—one of commitment to recipient choice. According to former Treasury Under Secretary John D. Hawke, "The final rule protects the recipient's right to choose while encouraging the safety and convenience that EFT provides."

### Payment Choices Available

Any individual who receives Federal payments will continue to be paid by check, at his or her choosing, if the electronic deposit of payments would pose a hardship because of a physical or mental disability, or a geographic, language, or literacy barrier, or if it would impose a financial hardship. Recipients should determine on their own if they are eligible for a hardship waiver. Individuals have three payment options: (1) sign up for Direct Deposit, the Government's preferred means of issuing its payments electronically; (2) wait for an inexpensive account, the Electronic Transfer Account, or ETA<sup>SM</sup>, to become available to receive funds automatically; or (3) continue to receive a check if electronic payment would cause a hardship.

No payments to individuals will be delayed or withheld because of EFT implementation.

In other EFT-related action, Treasury detailed November 23 its proposal for a basic, low-cost account called an ETA,

which, following public comment, will be available this year.

The ETA proposal, published in the Federal Register, would ensure recipients an account at a reasonable cost and with consumer protections comparable to other accounts at the financial institution. Additionally, as proposed the ETA would—

- Accept only electronic Federal salary, wage, benefit, and retirement payments;
- Carry a maximum monthly charge of \$3;
- Have a minimum of four cash withdrawals per month, to be included in the monthly fee, through any combination of proprietary ATM transactions and/or over-the-counter transactions;
- Allow access to the financial institution's point-of-sale network, if available;
- Require no minimum balance, except as required by Federal or State law; and
- Provide a monthly statement.

Any federally insured financial institution will be able to offer the ETA, once the final account features have been set and published in the Federal Register. Terms for a financial institution to offer the account as

*Treasury was guided by a fundamental principle—one of commitment to recipient choice.*

Treasury's agent will be spelled out in an agreement with the financial institution.

Treasury received nearly 200 comment letters on the proposed ETA. They can be viewed at the Financial Management Service's EFT Web site, listed below.

Regarding the final EFT rule's impact on vendors selling the Government goods or services, vendors will be required to receive their payments electronically.

More information on the final EFT regulation and proposed ETA is available at the EFT Web site:

[www.fms.treas.gov/eft/eta/](http://www.fms.treas.gov/eft/eta/)

## Conversions to EFT: *The Vendor Payment Saga Continues*

Since passage of the Debt Collection Improvement Act of 1996 (DCIA), the Financial Management Service (FMS) has been aggressively working with vendors to increase the volume of payments made electronically. In fiscal year 1998, approximately 42 percent of vendor payments disbursed by FMS were made electronically with an increase to 50 percent for December 1998. Although this represents an increase of more than 40 percentage points since fiscal year 1995, additional conversion efforts are needed. To keep these goals in the forefront, and ensure the remaining barriers fall, FMS is continuing its efforts to partner with telephone and utility industry groups and other vendors to identify and resolve conversion issues.

Communications with agencies, vendors, and financial institutions to ensure that payment addenda records are formatted correctly are ongoing. In fiscal year 1998, FMS conducted a series of vendor payment workshops in Washington, DC, and other regional locations. One of the primary goals during the workshops was to provide education on proper formatting. FMS' Regional Financial Centers monitor agencies' disbursement submissions and work closely with the responsible paying offices on addenda formats. Financial institutions play an integral role in the electronic funds transfer (EFT) conversion efforts. Vendors rely on financial institutions to assist them with a smooth conversion into the world of electronics since receipt of detailed remittance information has been a major issue of concern.

Roles and responsibilities of the vendor's financial institution include: (1) receive and post payments, (2) format remittance data, (3) deliver remittance data, and (4) provide multiple delivery methods. It is imperative that vendors communicate with their respective

financial institutions to ensure that vendors are knowledgeable of their financial institutions' capabilities. Discussions with the financial institutions should ensure that the vendor's needs are met and include the costs associated with providing remittance data. Effective last September, the National Automated Clearing House Association (NACHA) implemented a rule requiring financial institutions to provide their customers (upon request) remittance information. The Federal Reserve has developed an electronic data interchange (EDI) translation and reporting software package called **FedEDI**, now available, for financial institutions not EDI capable. FedEDI translates the information into either human-readable or computer-readable form.

Agencies continue to enroll vendors using a variety of methods, including letters and check inserts. And many have taken advantage of the capability for Internet delivery of remittance data by signing up for FMS' Payment Advice Internet Delivery (PAID) system.

Additional information is available at FMS' Web site: [www.fms.treas.gov/eft](http://www.fms.treas.gov/eft). Questions can be directed to the Product Promotion Division at (202) 874-6540.

### EFT Payments by Type

Through Dec. 31, 1998

SSA .....	75%
SSI .....	46%
VA .....	75%
OPM .....	91%
RRB .....	74%
Vendor .....	50%

### Upcoming sessions on EFT 99, February, March, and April

**February 21-22**—ABA Community Bankers' Conference, Orlando

**February 21-24**—CUNA Government Affairs Conference, Washington, DC

**March 3**—Western Region AGA Professional Development Conference, Denver

**March 10-12**—LA EXPO Conference, Pasadena

**March 14-18**—IBAA Annual Conference, San Francisco

**April 6-9**—Financial Electronic Commerce Conference, Chicago

**April 11-14**—Payments 99, Atlanta

**April 27-29**—Southern Financial Exchange Conference, Biloxi, MS

*For more information, call (202) 874-6540.*

## Direct Deposit Enrollment Surges

Increased enrollments in Direct Deposit have reached record heights for Federal payment recipients. Three out of four Social Security recipients have their benefit payments electronically deposited into their accounts, or 75 percent, and 75 percent of veterans' benefit payments are made via Direct Deposit. Millions of current enrollees feel it is simple, safe, and the most secure way to receive their benefit, salary, wage, or retirement payments. Financial institutions have been enrolling individuals in the Direct Deposit Program for more than 20 years.

The National Direct Deposit Week (October 12-17) activities and other events, cosponsored by the Federal Reserve, National Automated Clearing House Association (NACHA), and Department of the Treasury, included in-lobby activities at financial institutions and various

financial information fairs. One bank enrolled 9,000 new Federal payment enrollees in one day with its in-lobby promotional event. These activities helped to educate the public about the benefits of Direct Deposit and to provide basic financial education. Also, Federal agencies, along with community groups and consumer organizations, sponsored numerous nationwide events during the months of October and early November.

As we approach the new millennium, Treasury looks forward to working with its partners throughout 1999 and anticipates continued success in increasing Direct Deposit enrollments. For additional Direct Deposit information and materials, call (202) 874-6540 or view the EFT Web site:

[www.fms.treas.gov/eft](http://www.fms.treas.gov/eft)